4 Things to Understand When Buying a Business



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Have you been at a job for a few years, but think you want to be your own boss? One way to achieve this is by owning a business.

You might not have the stamina to start a company from scratch. However, you can buy a business that already has credibility and make it your own.

Before you look for companies to buy, there are some key things to understand. For most, this will be a large investment, so you want to make the best choice. Here's what you need to know when buying a company.

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Seek out businesses that align with your passion

When you decide to own a business, it needs to be about more than just money. You should be passionate about it, so that the work won't feel like work.

When are you the happiest? Is it when you're cooking for family, or maybe brewing beer with friends? Perhaps it's when you're on the water or browsing unique boutiques.

Whatever it is that excites you, this is what your business should be about. You can own your own restaurant, brewery, marina, or store. When you love what you do, you'll have more passion, which usually portends better outcomes.

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Thoroughly research businesses for sale

Once you determine what type of company you want to own, the next step is to look for established businesses for sale.

Some factors to look for are location, price range, and reputation. Are you willing to travel or even re-locate? Unless you wait for a business near you to go up for sale, you'll likely have to move around. Think about what you're willing to do for your new investment.

Next, look at price. What's your budget? You'll want to aim for the ideal balance between location and price range. It might be beneficial to wait until these factors align, rather than make impulsive decisions.

When you find a promising company, you should research its reputation. What's wrong with the business, and how can you improve it? Remember that even when the ownership changes hands, you'll take on some of these issues.

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Know why the business you want to buy is for sale

Understanding why the company is up for sale is vital for success. Is the owner old and ready to retire, or have they gone bankrupt?

You'll want to look for already-successful businesses, as these will be more straightforward projects. But if you're looking for a good deal and want to build a company back up, you can consider one that's struggling.

Before buying, have an in-depth conversation with the current owners. Have a list of questions to ask and things you'd like to see. Don't be afraid to ask about monthly and yearly reports to better understand how much income it brings in.

You should also ask whether there's existing debt you'll need to take care of; if the building itself is up to date with inspections or in need of renovations; how old the equipment is; and whether there are any other issues.

Being fully informed before you buy will mean fewer surprises later on.

Create a business plan

Once you have identified a company to buy and are aware of its flaws, you need to make a detailed business plan. By purchasing an existing business, you already have a foundation. What are you going to keep and what has to go?

Understanding where to invest and how to improve is key to success. Consider the short and long-term goals for your business. Have an idea of how to achieve these, and get organized.

The more planning you do ahead of time, the easier your first day will be.

The bottom line

Taking the step to become a company owner is a lifelong dream for some. You get to be your own boss, make the decisions, and collect the profits. However, there are things to consider. When searching for a business to purchase, you should know why it’s up for sale and create a detailed plan. Choose a company that aligns with your passion – and you’ll be on your way to success.

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